

Message Text

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SUBJECT: SUGAR

FOLLOWING ARE EXCERPTS OF EVANS AND NOVACK COLUMN ENTITLED
QUOTE BITTER SUGAR FOR THE COCA-COLA CONNECTION? UNQUOTE
WHICH APPEARS IN JULY 28 WASHINGTON POST:

BEGIN TEXT: POLITICAL SCHIZOPHRENIA HAS LED TWO MEMBERS
OF PRESIDENT CARTER'S CABINET TO TAKE ONE POSITION IN
PRIVATE AND ANOTHER IN PUBLIC ON INCREASINGLY TROUBLESOME
SUGAR POLICY, RAISING QUESTIONS ABOUT THE IMPACT HERE
OF A SINGLE CORPORATION: THE COCA-COLA CO.

ATLANTA-BASED COCA COLA, WHICH BUYS 10 PER CENT OF ALL
HOME-GROWN OR IMPORTED SUGAR IN THE UNITED STATES, PROFITS
HEAVILY FROM CURRENT LOW PRICES. IT SUPPORTS THE ADMINIS-
TRATION'S TWO-PENNY DOMESTIC-GROWER SUBSIDY, VIEWED AS
HOPELESSLY INADEQUATE BY AMERICAN GROWERS, SO STRONGLY
THAT CHAIRMAN RUSSELL LONG (D-LA.) OF THE SENATE FINANCE
COMMITTEE CALLS IT "A COCA-COLA PROGRAM."

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NOBODY IS CHARGING CONFLICT OF INTEREST. BUT CONGRSSIONAL
OPPONENTS OF THE ADMINISTRATIONS'S SUGAR POLICY FEAR
THE COCA-COLA CONNECTION MEANS CARTER MAY NOT BE GETTING
THE FULL STORY ON SUGAR POLICY FROM HIS CABINET-WHICH
WOULD BE A CLEAR BREAKDOWN OF "CABINET GOVERNMENT."
WHAT GIVES THEIR FEARS SUBSTANCE IS A JULY 7 CONFIDENTIAL
MEMORANDUM TO THE PRESIDENT.

THE MEMORANDUM WAS DRAFTED BY DOMESTIC POLICY ADVISOR STUART EIZENSTAT AND HIS DEPUTY LYNN DAFT. WHILE LAMENTING AN UNEXPECTED FURTHER DECLINE IN SHARPLY FALLING SUGAR PRICES, THE MEMO NEVERTHELESS DEFENDED THE ADMINISTRATIONS TWO-PENNY DOMESTIC SUBSIDY. GROWERS VIEW THAT AS WORTHLESS AGAINST CHEAP SUGAR IMPORTS AND WANT IMPORT RESTRICTIONS INSTEAD. THE EIZENSTAT-DAFT MEMO WARNED THE PRESIDENT AGAINST CONGRESSIONAL EFFORTS "TO CRIPPLE THE PROGRAM OR REPLACE IT WITH A MORE PROTECTIONIST PROGRAM."

"AS A RESULT OF THESE CONGRESSIONAL ACTIONS," THE PRESIDENT WAS TOLD, "WE HAVE MET WITH (AGRICULTURE SECRETARY) BOB BERGLAND, (TRADE NEGOTIATOR) BOB STRAUSS AND (ASSISTANT SECRETARY OF STATE) JULIUS KATZ TO REASSESS OUR OPTIONS. THIS GROUP HAD CONCLUDED THAT THE POLICY YOU ANNOUNCED IN EARLY MAY (THE TWO-PENNY GROWER SUBSIDY FOLLOWED BY A STILL ELUSIVE INTERNATIONAL SUGAR AGREEMENT) REMAINS THE BEST OPTION AND THAT WE SHOULD REDOUBLE OUR EFFORTS TO AVOID ANY CONGRESSIONAL ACTION THAT WOULD UNDERMINE ITS CHANCES."

IN HIS HEART, HOWEVER, BERGLAND'S CONCEPT OF A "BEST OPTION" DIFFERED. EXACTLY SIX DAYS LATER, TESTIFYING BEFORE A SENATE FINANCE SUBCOMMITTEE, BERGLAND USED UNCLASSIFIED

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LANGUAGE SEEMINGLY DESIGNED TO TEAR THE TWO-PENNY PROGRAM TO SHREDS.

"THINGS ARE COMING APART AT THE SEAMS," HE TOLD THE SENATORS. "WE UNDERSTAND THAT... FROM OUR VANTAGE POINT IN THE DEPARTMENT OF AGRICULTURE, WE WILL NEVER SUPPORT A POLICY THAT WILL CONSCIOUSLY OR SUBCONSCIOUSLY ALLOW THE DISINTEGRATION OF THE DOMESTIC SUGAR INDUSTRY."

AT THAT POINT, SLN. LONG LASHED OUT AT THE "COCA-COLA PROGRAM" THAT WAS DESTROYING LOUISIANA CANE AND WESTERN BEET GROWERS.

FURTHERMORE, BERGLAND'S TRUE SENTIMENT ABOUT "THE BEST OPTION" MAKES TWINS OF HIM AND BOB STRAUSS. TESTIFYING ON JULY 20 TO THE HOUSE BANKNIG COMMITTEE, STRAUSS DECLARED:

"SECRETARY BERGLAND AND I AND THE MEMBERS OF THE ECONOMIC POLICY GROUP (HEADED BY TREASURY SECRETARY W. MICHAEL BLUMENTHAL)... THINK IT IS PROVING TO BE WHOLLY INEFFECTIVE."

STRAUSS THEN MADE AN EVEN MORE DRAMATIC DEPARTURE FROM EIZENSTAT'S MEMO. ASKED WHETHER HE AGREED WITH COMPTROLLER GENERAL ELMER STAATS'S RULING THAT THE TWO-PENNY SUBSIDY IS ILLEGAL, STRAUSS CALLED STAATS "DEAD RIGHT ON THAT, AND WE HAVE ALWAYS BEEN CONCERNED THAT THAT WAS GOING TO BE WHERE WE END UP... AND IT WOULD NOT SURPRISE ME ONE BIT IF THE JUSTICE DEPARTMENT UPHELD IT."

THERE WOULD, HOWEVER, BE A PROBLEM THERE. SINCE ATTORNEY GENERAL BELL RAN THE LAW FIRM THAT REPRESENTS COCA-COLA (KING AND SPALDING, NOW HEADED BY PRESIDENTIAL INTIMATE CHARLES KIRBO), AN APPEAL BY THE ADMINISTRATION TO HIM FROM STAAT'S RULING WOULD INVITE CONFLICT-OF-INTEREST

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PROBLEMS. THE APPEAL WOULD GO TO DEPUTY ATTORNEY GENERAL PETER FLAHERTY.

CONGRESS, HOWEVER, MAY SEIZE UPON THE ADMINISTRATION'S LAMENTABLE CONFUSION AND PLACE SUGAR UNDER A MANDATORY PRICE-SUPPORT SYSTEM WITH IMPORT RESTRICTIONS. IF SO, THE PRESIDENT MAY BE SPARED IMMEDIATE FURTHER AGONY OVER SUGAR THAT HAS RESULTED FROM DISJOINTED "CABINET GOVERNMENT": BLUMENTHAL FIGHTING FOR FREE TRADE, BERGLAND ANGLING FOR SUPPORTS AND QUOTAS, STRAUSS BATTLING FOR ANYTHING THAT WORKS, WHITE HOUSE ECONOMIC ADVISERS PLOTTING TO CONTINUE LOW-PRICE SUGAR TO HELP CHECK INFLATION.

THE PRESIDENT SEEMS WILLING TO ACCEPT CONFUSION AS THE PRICE OF DIVERSITY. THE WORRISOME ASPECT IS ADDED BY THE COCA-COLA CONNECTION. WHETHER OR NOT THIS IS AN UNJUSTIFIABLE SUSPICION IN HYPERSUSPICIOUS WASHINGTON, THE CONFIDENTIAL MEMO TO THE PRESIDENT CAN ONLY PROMOTE THOSE WORRIES. END TEXT. VANCE

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